

Message Text

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ATHENS FOR RTDO FOR ED KINNEAR

USDOC FOR OIM/EID FOR STEPHEN J. KARIKAS

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E.O. 11652: N/A
TAGS: BEXP, KU
SUBJECT: ADS REQUEST FOR MCGRAW EDISON INTERNATIONAL SALES

REF: A) KUWAIT 1456, B) CA-5570, 8/22/75, C) 76 KUWAIT
4810, D) USDOC 4644

1. ALTHOUGH COMMERCIAL SECTION WAS FINALLY SUCCESSFUL IN
SECURING ACQUIESCENCE OF TWO KUWAITI FIRMS TO OPENING OF
CORRESPONDENCE BETWEEN THEM AND MCGRAW EDISON, IT MUST BE
NOTED THAT BOTH FIRMS ARE TOTALLY INEXPERIENCED IN THE AIR
CONDITIONING FIELD, LACK ANY FORM OF SERVICE FACILITY, AND
HAVE EMBRYONIC MARKETING STRUCTURES. FIRMS CAPABLE OF
MARKETING AND SERVICING MCGRAW EDISON'S PRODUCT LINE WERE
NOT INTERESTED, BECAUSE THEY ARE EITHER AGENTS OR
DISTRIBUTORS OF ANOTHER AIR CONDITIONING SYSTEM MANUFACT-
URER AND ARE THEREFORE EXCLUDED BY EITHER AGREEMENT OR
NORMAL KUWAITI BUSINESS PRACTICES FROM HANDLING A COMPETING
LINE.

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2. IN RESPONSE OUR QUERY TO EVALUATE MARKETABILITY OF
MCGRAW EDISON'S COOLERATOR ROOM AIR CONDITIONERS, MAJOR
AIR CONDITIONING DEALERS HERE SAID A) THE TECHNICAL
DESIGN OF THE MCGRAW EDISON AIR CONDITIONERS IS UNSUIT-
ABLE TO THE KUWAITI MARKET; B) SUCH FEATURES AS VARIABLE
SWEEP FANS ARE PREFERENCE ITEMS AND ARE NOT PART OF

MCGRAW EDISON'S DESIGN PACKAGE. THE ELECTRICAL RECEPTACLE CONFIGURATION DOES NOT FIT RECEPTACLE CONFIGURATIONS NORMAL TO KUWAIT. GIVEN KUWAIT'S CLIMATIC EXTREMES (SUMMER TEMPERATURES IN EXCESS OF 120 DEGREES FARENHEIT), ONLY AIR CONDITIONERS WITH RANGES ABOVE 24,000 B.T.U.'S ARE EFFECTIVE. MOST AIR CONDITIONERS SOLD ARE IN THE ABOVE 24,000 B.T.U. RANGE. C) KUWAIT IS VERY PRICE COMPETITIVE MARKET CONSIDERING THE WIDE BRAND AND PRODUCT CHOICES. FACTORING IN SERVICE AND WARRANTY REQUIREMENTS, ONE LOCAL DEALER MAINTAINED THAT HE MADE ONLY A 5 DINAR PROFIT (1KD-\$3.50) ON EACH UNIT SOLD. ABILITY TO SERVICE AND MAINTAIN THE PRODUCT IS THE SECOND MAJOR DETERMINANT OF MARKETABILITY. D) AIR CONDITIONERS FROM GIBSON INTERNATIONAL CO. AND GENERAL (A JAPANESE FIRM MANUFACTURING WHAT IS ESSENTIALLY A COPY OF GIBSON'S SYSTEM) DOMINATE 87 PERCENT OF THE THE MARKET AND HAVE ANNUAL SALES OF 100,000 UNITS. TOTAL AIR CONDITIONER SALES WERE APPROXIMATELY 115,000 UNITS IN 1976. WITHOUT A CONCERTED MARKETING EFFORT, PENETRATION OF THIS MARKET WOULD BE IMPOSSIBLE.

2. A LOCAL KUWAITI FIRM IS GOING AHEAD WITH A PLAN TO PRODUCE DOMESTIC AIR CONDITIONERS BY 1980 UNDER AN ARRANGEMENT WITH WESTINGHOUSE. A SURCHARGE OF 15 PERCENT IS LEVIED ON OMPORTATION OF PRODUCTS WHICH ARE PRODUCED DOMESTICALLY. SUCH A LEVY WILL PRICE EVEN MORE U.S. AIR CONDITIONERS OUT OF THE MARKET.

3. MCGRAW EDISON MAY WISH TO CORRESPOND WITH THE FOLLOWING UNCLASSIFIED

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FIRMS, WHICH ARE REPUTABLE AND INTERESTED IN LEARNING MORE ABOUT THE PRODUCT. HOWEVER, AS WAS STATED ABOVE, THEY LACK BOTH MARKETING AND SERVICING EXPERTISE IN THIS AREA.

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4. SUGGEST ADS REQUESTOR BE INFORMED OF MARKET SITUATION IN KUWAIT VIS-A-VIS THEIR PRODUCT AS WELL AS BEING SUPPLIED WITH FIRM NAMES AND ADDRESSES.
MAESTRONE

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